

- 2 -

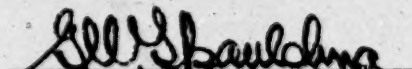
- (i) NET BILL FOR YEAR 1945
(j) TOTAL AMOUNT BILLED FOR FIRST ELEVEN MONTHS OF 1945
(k) BALANCE DUE FOR DECEMBER 1945

\$ 2,084,216.67
2,014,007.00
\$ 70,209.67

OPERATING COMMITTEE



R.T. GREER FOR CONS. GAS ELECTRIC
LIGHT AND POWER CO. OF BALTIMORE


G.W. SPAULDING FOR PENNSYLVANIA
WATER & POWER COMPANY

RTG:K
GWS

April 11, 1946

ESTIMATE OF HOLTWOOD COMPANY'S BILL TO BALTIMORE COMPANY FOR THE YEAR 1946

(a) NET POWER REVENUE OF HOLTWOOD COMPANY			
1. 1930 Rev. Adjusted to Avg. River Flow	\$ 2,832,259.75		
2. Decr. in Rev. from Cust. other than Balto. 1931 compared with 1930	70,080.06		
3. Base Net Revenue		\$ 2,762,179.69	
(b) PAYMENTS ON NET ADDITIONS AT 10.25% & 9.5%			897,500.00
(c) EXPENSES			
1. *Operating Exp. Excl. Power Purchased	\$ 1,111,900.00		
2. Maintenance	432,700.00		
3. General Expense	760,000.00		
4. General Taxes	299,207.00		
5. Federal Normal Tax and Surtax	987,470.70		
6. Depreciation	\$ 355,146.73		
Less Adj. for Auto Depr.	2,000.00	353,146.73	
7. Total			3,944,424.43
*Power Purchased shown in Item (d)			
(d) HOLTWOOD CO.'S PAYMENTS FOR POWER PURCHASED			
1. Metropolitan Edison Co.	\$ 10,800.00		
2. Philadelphia Electric Co.	42,300.00		
3. Penna. Power & Light Co.	22,600.00		
4. S.H.W.P. Corp.	1,188,602.98		
5. Total			1,264,302.98
SUM OF (a), (b), (c) and (d)			\$ 8,868,77.10
(e) HOLTWOOD CO.'S REV. FROM PARTIES OTHER THAN BALTO.			
1. P.P. & L. Co. (Firm Power)	\$ 1,932,400.00		
2. Philadelphia Elec. Co. (Firm Power)	976,100.00		
3. Metropolitan Edison Co. (Firm Power) (Incl. Y.E.)	641,500.00		
4. Pioneer Elec. Light Co. (Firm Power)	12,000.00		
5. Metropolitan Edison Co. (Interchange)	234,500.00		
6. Philadelphia Elec. Co. (Interchange)	206,000.00		
7. P.P. & L. Co. (Interchange)	172,400.00		
8. Pennsylvania Railroad Company	1,615,800.00		
9. Conowingo Backwater Payment	133,750.00		
10. Rent from Electric Property	100.00		
11. Total		\$ 5,924,550.00	
(f) INT. ON INCREASE IN RES. FOR DEPRECIATION			239,700.00
(h) REDUCTION AS PER SUPPLEMENTAL AGREEMENT OF SEPT. 29, 1939			600,000.00
(x) ESTIMATED MISCELLANEOUS CREDITS			16,300.00
TOTAL DEDUCTIONS - SUM OF (e), (f), (h) AND (x)			\$ 6,780,550.00
ESTIMATED NET BILL FOR YEAR 1946			\$ 2,087,857.10
TOTAL AMOUNT PAID JANUARY TO MARCH, INCL.			\$ 555,013.98
ESTIMATED BILL APRIL - DECEMBER, INCL.			\$ 1,532,843.12
ESTIMATED BILL PER MONTH APRIL - DECEMBER, INCL.			\$ 170,315.90

A

CONSOLIDATED STATEMENT
SHOWING
ORIGINAL COST OF ELECTRIC PLANT
AS OF
DECEMBER 31, 1945
OF
PENNSYLVANIA WATER & POWER COMPANY
AND
SUSQUEHANNA TRANSMISSION COMPANY OF MARYLAND
(A Wholly Owned Subsidiary)

PENNSYLVANIA WATER & POWER COMPANY
and Susquehanna Transmission Company of Maryland, A Wholly Owned Subsidiary

Page 1 of 3

Consolidated Statement Showing Original Cost of Electric Plant as of December 31, 1945

Item No.	Account No.	Account Title	Combined Total Pennsylvania Water & Power Company and Susquehanna Transmission Company of Maryland			Pennsylvania Water & Power Company			Susquehanna Transmission Company of Maryland		
			Total as of 12/31/45 (d + g) (a)	As of 12/31/36 (Per Original Cost Studies) (e + h) (b)	Net Additions 1/1/37 to 12/31/45 (f + i) (c)	Total as of 12/31/45 (e + f) (d)	As of 12/31/36 (Per Original Cost Studies) (e)	Net Additions 1/1/37 to 12/31/45 (f) (f)	Total as of 12/31/45 (h + i) (g)	As of 12/31/36 (Per Original Cost Studies) (h) (h)	Net Additions 1/1/37 to 12/31/45 (i) (i)
I - ELECTRIC PLANT IN SERVICE											
Intangible Plant											
1	301	Organization	\$ 671,861.86	\$ 672,434.76	\$ (572.90)	\$ 668,530.28	\$ 669,103.18	\$ (572.90)	\$ 3,331.58	\$ 3,331.58	
2	302	Franchises and Consents	64,004.61	64,004.61		64,004.61	64,004.61				
3	303	Miscellaneous Intangible Plant	63,936.18	63,936.18		58,267.70	58,267.70		5,668.48	5,668.48	
4		Total Intangible Plant	\$ 799,802.65	\$ 800,375.55	\$ (572.90)	\$ 790,802.59	\$ 791,375.49	\$ (572.90)	\$ 9,000.06	\$ 9,000.06	
Production Plant											
(A) Steam Production											
5	310	Land and Land Rights	\$ 2,000.00	(Note A)	\$ 2,000.00	\$ 2,000.00		\$ 2,000.00			
6	311	Structures and Improvements	1,214,709.65	1,095,948.08	118,761.57	1,214,709.65	1,095,948.08	118,761.57			
7	312	Boiler Plant Equipment	1,866,969.04	1,355,814.27	511,154.77	1,866,969.04	1,355,814.27	511,154.77			
8	314	Turbo-Generator Units	806,225.51	784,598.65	21,626.86	806,225.51	784,598.65	21,626.86			
9	315	Accessory Electric Equipment	401,463.87	303,494.65	97,969.22	401,463.87	303,494.65	97,969.22			
10	316	Miscellaneous Power Plant Equip.	363,434.28	114,236.11	189,198.17	303,434.28	114,236.11	189,198.17			
11		Total Steam Production	\$ 4,594,802.35	\$ 3,654,091.76	\$ 940,710.59	\$ 4,594,802.35	\$ 3,654,091.76	\$ 940,710.59	\$ -	\$ -	
(B) Hydraulic Production											
12	320	Land and Land Rights	\$ 4,248,416.69	\$ 4,163,067.11	\$ 85,349.58	\$ 4,248,416.69	\$ 4,163,067.11	\$ 85,349.58			
13	321	Structures and Improvements	4,958,608.57	4,802,778.06	155,830.51	4,958,608.57	4,802,778.06	155,830.51			
14	322	Reservoirs, Dams and Waterways	4,020,318.28	3,555,925.71	464,392.57	4,020,318.28	3,555,925.71	464,392.57			
15	323	Water Wheels, Turbines & Generators	3,458,956.95	3,399,437.36	59,519.59	3,458,956.95	3,399,437.36	59,519.59			
16	324	Accessory Electric Equip.	1,529,177.69	1,401,855.72	127,321.97	1,529,177.69	1,401,855.72	127,321.97			
17	325	Miscellaneous Power Plant Equip.	194,521.60	149,059.71	45,461.89	194,521.60	149,059.71	45,461.89			
18	326	Roads, Railroads & Bridges	71,916.58	72,055.37	(138.79)	71,916.58	72,055.37	(138.79)			
19		Total Hydraulic Production	\$18,481,916.36	\$17,544,179.04	\$ 937,737.32	\$18,481,916.36	\$17,544,179.04	\$ 937,737.32	\$ -	\$ -	
20		Total Production Plant	\$23,076,718.71	\$21,198,270.80	\$ 1,878,447.91	\$23,076,718.71	\$21,198,270.80	\$ 1,878,447.91	\$ -	\$ -	

PENNSYLVANIA WATER & POWER COMPANY
and Susquehanna Transmission Company of Maryland, A Wholly Owned Subsidiary

Page 2 of 3

Consolidated Statement Showing Original Cost of Electric Plant as of December 31, 1945

			Combined Total Pennsylvania Water & Power Company and Susquehanna Transmission Company of Maryland			Pennsylvania Water & Power Company			Susquehanna Transmission Company of Maryland		
Item No.	Account No.	Account Title	Total as of 12/31/45 (d + g) (a)	As of 12/31/36 (Per Orig- inal Cost Studies) (e + h) (b)	Net Additions 1/1/37 to 12/31/45 (f + i) (c)	Total as of 12/31/45 (e + f) (d)	As of 12/31/36 (Per Orig- inal Cost Studies) (e) (e)	Net Additions 1/1/37 to 12/31/45 (f) (f)	Total as of 12/31/45 (h + i) (g)	As of 12/31/36 (Per Orig- inal Cost Studies) (h) (h)	Net Additions 1/1/37 to 12/31/45 (i) (i)
I - ELECTRIC PLANT IN SERVICE (CONT'D.)											
Transmission Plant											
21	340	Land and Land Rights	\$ 2,716,243.48	\$ 1,957,820.23	\$ 758,423.25	\$ 807,106.97	\$ 634,065.70	\$ 173,041.27	\$1,909,136.51	\$1,323,754.53	\$ 585,381.98
22	341	Clearing Land & Rights-of-Way	252,880.87	179,292.18	73,588.69	116,266.66	86,207.63	30,059.03	136,614.21	93,084.55	43,529.66
23	342	Structures and Improvements	695,785.92	548,181.29	147,604.63	330,844.43	239,921.19	90,923.26	364,941.47	308,260.10	56,681.37
24	343	Station Equipment	3,497,294.88	2,927,340.76	569,954.12	2,781,223.79	2,244,016.80	537,206.99	716,071.09	683,323.96	32,747.13
25	344	Towers and Fixtures	2,274,805.62	1,794,844.56	479,961.06	1,102,909.39	967,691.66	135,217.73	1,171,896.23	827,152.90	344,743.33
26	345	Poles and Fixtures	11,382.69	1,128.06	10,254.63	10,892.12	1,128.06	9,764.06	490.57	-	490.57
27	346	Overhead Conductors & Devices	2,226,629.26	1,735,362.77	491,266.49	989,514.12	832,013.90	157,500.22	1,237,115.14	903,348.87	333,766.27
28	349	Roads and Trails	66,036.26	49,468.31	16,567.95	36,748.88	23,919.68	12,829.20	29,287.38	25,548.63	3,738.75
29		Total Transmission Plant	\$11,741,058.98	\$ 9,193,438.16	\$ 2,547,620.82	\$ 6,175,506.38	\$ 5,028,964.62	\$1,146,541.76	\$5,565,552.60	\$4,164,473.54	\$1,401,079.06
General Plant											
30	371	Structures and Improvements	\$ 254,958.16	\$ 193,086.47	\$ 61,871.69	\$ 248,014.49	\$ 176,015.86	\$ 71,998.63	\$ 6,943.67	\$ 17,070.61	\$ (10,126.94)
31	372	Office Furniture & Equipment	119,306.44	80,016.18	39,290.26	135,090.02	75,826.09	39,263.93	4,216.42	4,190.09	26.33
32	373	Transportation Equipment	55,590.03	24,599.74	30,990.29	56,664.58	24,599.74	32,064.84	(1,074.55)	-	(1,074.55)
33	374	Stores Equipment	15,215.68	10,271.92	4,943.76	13,958.27	9,041.55	4,916.72	1,257.41	1,230.37	27.04
34	375	Shop Equipment	32,688.11	14,661.53	18,026.58	31,761.36	13,734.78	18,026.58	926.75	926.75	-
35	376	Laboratory Equipment	49,427.76	36,888.29	12,539.47	49,186.46	36,729.37	12,457.09	241.30	158.92	82.38
36	377	Tools & Work Equipment	125,554.17	114,881.76	10,672.41	118,635.49	109,590.27	9,045.22	6,918.68	5,291.49	1,627.19
37	378	Communication Equipment	145,569.49	125,443.74	20,125.75	104,969.20	85,007.34	19,961.86	40,600.29	40,436.40	163.89
38	379	Miscellaneous Equipment	17,668.31	16,003.85	1,664.46	17,668.30	16,003.85	1,664.45	.01	-	.01
39	393	Donations in aid of Construction	(19,326.28)	(690.27)	(18,736.01)	(3,373.68)	-	(3,373.68)	(15,952.60)	(590.27)	(15,362.33)
40		Total General Plant	\$ 796,651.87	\$ 615,263.21	\$ 181,388.66	\$ 752,574.49	\$ 546,548.85	\$ 206,025.64	\$ 44,877.38	\$ 68,714.36	\$ (24,636.98)
41		Total Electric Plant in Service	36,414,232.21	31,807,347.72	4,606,884.49	30,795,602.17	27,565,159.76	3,230,442.41	5,618,630.60	4,242,187.96	1,376,442.08
42		Adjustments Admitted by Co. in Agreement with FPC auditors	(24,850.28)	(24,850.28)	-	(9,916.92)	(9,916.92)	-	(14,933.36)	(14,933.36)	-
43		TOTAL ELECTRIC PLANT IN SERVICE AFTER ADJUSTMENT	\$36,389,381.93	\$31,782,497.44	\$ 4,606,884.49	\$30,785,685.25	\$27,555,242.84	\$3,230,442.41	\$5,603,696.68	\$4,227,254.60	\$1,376,442.08

PENNSYLVANIA WATER & POWER COMPANY
and Susquehanna Transmission Company of Maryland, A Wholly Owned Subsidiary

Page 3 of 3

Consolidated Statement Showing Original Cost of Electric Plant as of December 31, 1945

Item No.	Account No.	Account Title	Combined Total Pennsylvania Water & Power Company and Susquehanna Transmission Company of Maryland			Pennsylvania Water & Power Company			Susquehanna Transmission Company of Maryland		
			Total as of 12/31/45 (d + g)	As of 12/31/36 (Per Original Cost Studies) (e + h)	Net Additions 1/1/37 to 12/31/45 (f + i)	Total as of 12/31/45 (e + f)	As of 12/31/36 (Per Original Cost Studies) (e)	Net Additions 1/1/37 to 12/31/45 (f)	Total as of 12/31/45 (h + i)	As of 12/31/36 (Per Original Cost Studies) (h)	Net Additions 1/1/37 to 12/31/45 (i)
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
II - OTHER ELECTRIC PLANT											
44	100.3	Construction Work in Progress	\$ 237,406.26	\$ 1,577,715.57	\$(1,340,309.31)	\$ 236,833.45	\$ 998,585.91	\$(761,752.46)	\$ 572.81	\$ 579,129.66	\$(578,556.85)
45	100.4	Electric Plant Held for Future Use	77,918.28	78,343.06	(424.78)	73,556.49	74,034.53	(478.04)	4,361.79	4,308.53	53.26
46		TOTAL OTHER ELECTRIC PLANT	\$ 315,324.54	\$ 1,656,058.63	\$(1,340,734.09)	\$ 310,389.94	\$ 1,072,620.44	\$(762,230.50)	\$ 4,934.60	\$ 583,438.19	\$(578,503.59)
47		GRAND TOTAL	\$36,704,706.47	\$33,438,556.07	\$ 3,266,150.40	\$31,096,075.19	\$28,627,863.28	\$2,468,211.91	\$5,608,631.28	\$ 4,810,692.79	\$ 797,938.49

() Indicates Red Figure

Note A - All of the structures and equipment of the steam production plant are located on land originally acquired for the hydraulic production plant.

HISTORY OF THE HOLTWOOD DEVELOPMENT
TO THE
BEGINNING OF COMMERCIAL OPERATION
OCTOBER 1, 1911

PG:mrh
7/30/40

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CHRONOLOGY OF HOLTWOOD DEVELOPMENT

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ORGANIZATION CHART OF RIVER DEVELOPMENT COMPANIES

GENERAL PLAN OF THE SUSQUEHANNA RIVER - WRIGHTSVILLE TO HAVRE DE GRACE

INDEX

I - GENERAL DESCRIPTION OF THE SUSQUEHANNA RIVER AND ITS EARLY UTILIZATION

General Description of Susquehanna River

The Susquehanna River drains the largest area of any river on the Atlantic Coast, south of the St. Lawrence. The main branch rises in the State of New York, the west branch in the easterly slope of the Alleghenies along the northern line of the State of Pennsylvania. The river flows in a south and southeasterly direction, emptying into the Chesapeake Bay within the State of Maryland. The total drainage area is approximately 27,500 square miles of which 26,786 lie above the site of the Holtwood dam.

The river flows through a territory of much diversity. In the State of New York it is rolling and sometimes rather broken. Its bed is composed of sand and gravel, with an occasional rock ledge. Passing into Pennsylvania, its course is very tortuous as it winds among the ranges of hills. In the Wilkes-Barre region it passes through the anthracite coal district and carries from there to the lower reaches of the river, fine particles known as "river coal."

Description of Lower Portion of Susquehanna

The descent of the river is gradual except in the lower fifty miles which, in its natural state, was a succession of rapids, the average fall being approximately five feet per mile. Here it passed through a valley with precipitous hillsides rising from 200 to 400 ft. above the channel, composed in general of mica schist, and in places of a very excellent granite. In this lower section, the valley varies in width from a few hundred yards to more than two miles. The channel in many places is filled with small rocky islands, some of which were covered with

alluvial soil and were under cultivation.

Early Canals

The river flow is subject to extreme fluctuations, the maximum recorded flow at Holtwood (1936) being approximately 860,000 cubic feet per second and the minimum seven day average being 2,100 cubic feet per second. This wide variation in flow, combined with the rocky and irregular character of the river bed, necessitated the construction of artificial waterways or canals along the banks in order to provide navigation facilities. Between 1784 and 1802, a canal nine miles long was built on the lower east bank of the river in Maryland by a company called The Proprietors of the Susquehanna Canal. In 1836, construction of a canal was started between Wrightsville, Pa., and tidewater along the west bank. It was completed in 1840, the Pennsylvania portion being known as the Susquehanna Canal, the Maryland portion, as the Tidewater Canal, and was popularly referred to as the Susquehanna and Tidewater Canal. Use of the canals decreased, and after 1890 they were little used and were in bad disrepair.

Water Power Developments

Concurrently with the development of the canals a number of small water power mills were built on tributaries of the lower Susquehanna. Two paper mills were built along the Susquehanna itself, one at York Haven, Pa., and one at Shuresville, Md., both having low wing-dams in the river. The conversion of these mills and the construction of others for the production of electricity by water power and its long distance transmission to commercial centers was considered by several individuals about 1894. Construction had been started on the hydroelectric project at Niagara Falls and considerable publicity seems to have been given the possibilities of high voltage alternating current transmission over distances previously

considered impracticable and uneconomical when using direct current.

Early Hydroelectric Development

By 1900 several small hydroelectric plants were in operation on these lower tributaries and a number of engineers and financiers had made studies toward the development of the main river between tidewater and Columbia, Pa. Several hydroelectric companies had been formed and both these and individual promoters had been acquiring land and water power rights along this section. One company had actually started construction at Wrightsville but, following an ice jam and flood, the project had been abandoned. The competition for the acquisition of land which soon developed between the various interests, resulted in high prices being demanded for property which had had very little value prior to the awakening to the power possibilities.

Three Major Interests on the River

The greatest competition for water power rights, markets and financing was among three major interests and continued for several years. Just above the mouth of the river at Shuresville, the old paper mill had been acquired by a group headed by B. Harvey Welch which had obtained a charter for their company to engage in hydroelectric production. Another group, hereinafter referred to as Harlow-McGaw, held property adjacent to the Welch development and certain rights as far upriver as Wrightsville. These upper rights were in territory held largely by the Hutchinson interests. Regarding land and water rights, Welch and Harlow-McGaw were opposing interests but not Welch and Hutchinson. All three were competitors for financing and power markets.

It was generally recognized that the first group to successfully finance and develop a project would secure the most desirable markets and would probably force the others to postpone construction for many years.

The overlapping of separately controlled properties presented a stumbling-block for financing, for each interest seemed unwilling to release any property essential to another's development unless their entire holdings were purchased at a profit, or unless the parties selling were given a substantial interest in the buying company.

As a result of the efforts of the various groups to secure financing and power contracts, several of the country's most eminent engineers made investigations of the developments proposed by the different interests.

Power Market

For a number of years following the turn of the century, the growing railway and electric companies of Baltimore presented the best market for hydroelectric power from the Susquehanna. While it was known that other markets were available, it was recognized that the first group to secure the Baltimore market stood the best chance of success; conversely, the group first to secure the necessary land and financing would probably obtain contracts for delivery of power in Baltimore.

II - EARLY ACTIVITIES OF THE HARLOW-McGAW GROUP

Acquisition of Property by Harlow-McGaw

James H. Harlow and George K. McGaw were among the first to take an active part in investigating the hydroelectric possibilities of the lower Susquehanna and in acquiring lands and water power rights for such developments. They, and their associates; (hereinafter referred to as Harlow-McGaw) organized several companies for this purpose, made surveys along the river, studied river flow, selected sites, estimated costs and purchased numerous parcels of land. Their most important single acquisition was the purchase from the Reading Railroad Company of the stock of The Proprietors of the Susquehanna Canal, the property of the Tidewater Canal, and the rights and franchises of the Susquehanna Canal Company. As the two latter canals extended along the west bank of the river from Havre de Grace to Wrightsville, ownership of them vested the owner with substantial control of the river so far as competing developments were concerned. On the other hand, ownership of the canals alone was not sufficient to permit Harlow-McGaw to construct a plant at any point without acquiring miscellaneous parcels held by competing interests.

Water Power Companies Formed by Harlow-McGaw

After acquisition of the canals, Harlow-McGaw continued their efforts to develop the river. In 1902 they had the old Susquehanna Canal Company reorganized as the Susquehanna Canal and Power Company, thus perpetuating their canal rights in Pennsylvania. The same year they also formed nine water power companies in Pennsylvania townships adjacent to the river and merged them into three companies. These were in addition to three other township water power companies they had previously incorporated in that state.

III - EARLY ACTIVITIES OF THE HUTCHINSON GROUP

Hutchinson's First Contact with
Development of the Susquehanna

John Bogart was one of the engineers who, in 1899, had investigated Harlow-McGaw's proposed development. Assisting him was C. T. Hutchinson, an electrical engineer. Following his work with Bogart, Hutchinson was retained to investigate the possibilities of the electrical reduction of iron ore for three Lancaster men - William F. Beyer, George B. Willson and Frederick Shoff.

Electrical Reduction of Iron Ore Considered

Beyer and Willson owned two small hydroelectric plants on Conestoga Creek which were supplying power to Lancaster. They, together with Shoff and two others, had formed a co-partnership in 1899, naming it the York Furnace Power Company. The purpose of the partnership was to acquire property and rights on the Susquehanna near York Furnace incident to the development of hydroelectric power for iron ore reduction. Shoff appears to be the member who controlled the ore deposits. In 1900 this group also formed The York Furnace Electric Company, a corporation presumably to construct and operate the proposed electric plant in connection with the ore reduction. About this time, Hutchinson made his investigation which disclosed the impracticability of the electrical reduction of this iron ore.

Hutchinson Becomes Interested in
York Furnace Development

As a result of his investigation for Beyer and Willson, Hutchinson became personally interested in developing power at York Furnace and, on

a partnership basis, arranged with George S. Morison, a consulting engineer to investigate the possibilities of generating and selling power. Hutchinson obtained an option on the property held by the York Furnace partnership. The results of the studies made did not appear sufficiently favorable to warrant a development at the York Furnace site and investigations were continued downriver.

Selection of McCall Ferry Site

A more favorable location was found near McCall Ferry and preliminary studies showed that an economical development of substantially greater capacity could be made there. Property held by the York Furnace partnership was still useful for a project at McCall Ferry and the option was kept alive. Hutchinson at once began the acquisition of property between McCall Ferry and York Furnace. In addition, he acquired various scattered parcels below McCall Ferry in order to interfere with any development by Harlow-McGaw. He also bought out Morison's interest in their partnership arrangements.

(See Exhibit No. 1)

Opposition between Harlow-McGaw and Hutchinson

It was about this time that Harlow-McGaw attempted to form the Susquehanna Canal and Power Company and thus perpetuate their canal rights in Pennsylvania. Hutchinson made an unsuccessful attempt to prevent this reorganization. Shortly after the incorporation of Harlow-McGaw's nine water power companies, Hutchinson formed two similar companies in townships adjacent to the site of the proposed dam at McCall Ferry. Harlow-McGaw unsuccessfully opposed the granting of charters to these Hutchinson companies.

Formation of Predecessors of
Pennsylvania Water & Power Company

On July 17, 1902, applications were made on behalf of the Hutchinson interests for charters for The Hillside Water and Power Company and Susquehanna Water and Power Company.

The Hillside Water and Power Company was formed for the purpose of

"the storage and transportation of water and water power for commercial and manufacturing purposes in Lower Chanceford Twp., York Co., Pa., and the supply of the same to the public and to such persons, partnerships, and corporations residing therein as may desire the same; and in order that the water and water power may be supplied to the public to the best advantage in furtherance of its corporate purposes, the development by the use of the same of electric current, and power to the public, individuals, firms and corporations, at any place or places at such prices as may be agreed upon."

Susquehanna Water and Power Company had identical purposes except the location was "in the Twp. of Martis, Co. of Lancaster, Pa."

A protest against granting these charters was filed by the Harlow-McGaw interests. A hearing was held on August 28th, but on September 2nd letters patent were issued for both companies, granting perpetual life.

The capital stock of each company was \$500., consisting of five shares. Both companies had the same incorporators, stockholders and directors as follows:

Jacob Hill Byrne	1 share
W. F. Jack	1 share
George B. Willson	1 share
Walter M. Franklin	1 share
W. F. Beyer	1 share

Beyer was elected President of both companies and Willson, Secretary.

The Pennsylvania Water & Power Company subsequently became a successor of these companies after they had been merged to form McCall Ferry Power Company.

IV - DIVISION OF INTERESTS ON THE RIVER

Attempt to Revoke Canal Charter

Although Harlow-McGaw has acquired the rights of the canal companies which owned the canal along the west bank of the river, Hutchinson, either through direct ownership or by option on the York Furnace properties, was the actual or potential owner of practically all of the property along the canal which would be affected by the proposed dam at McCall Ferry. He therefore attempted, early in 1903, to have the canal charter rescinded. At one time it seemed certain enough that he would accomplish this result that Harlow-McGaw were willing to enter into an agreement with Hutchinson for a division of interests along the river, provided the latter would abandon his attempts to have the canal charter revoked.

Agreement between Harlow-McGaw and Hutchinson

The agreement was signed April 14, 1903 by M. H. Houseman and J. H. Harlow, representing the Harlow-McGaw interests, and R. R. Quay, representing the Hutchinson interests. This agreement provided:

1. Upon request within six months, Harlow McGaw were to transfer to Hutchinson:
 - A. All shares of capital stock of the Susquehanna Falls Power Company.
 - B. All title and interest in all lands, water rights and easements held for the benefit of the above company. (This company resulted from the merger of two of Harlow-McGaw's nine water power companies, the two having been formed in the same townships as Hutchinson's two companies.)
 - C. A permit from the Susquehanna Canal and Power Company, in so far as that company's rights were concerned, for the erection and maintenance of a dam about one mile below McCall Ferry.

2. In addition, Harlow-McGaw agreed to have the Susquehanna and Tidewater Railroad Company locate its proposed road-bed so as not to interfere with the construction and operation of a plant at McCall Ferry (instead of on the tow-path of the canal as originally proposed).
3. Hutchinson agreed to provide right of way for that railroad through any property he might own along the west bank which was not essential to his development.
4. Hutchinson agreed to install and operate, gratis, locks for the passage of canal vessels and permit their passage through the pool flooding the old canal.
5. Hutchinson agreed to reimburse Harlow-McGaw for all moneys expended by them for the organization of the Susquehanna Falls Power Company and in making plans, surveys, etc., for that company and for acquisition of all lands and water rights for it, together with interest, which amounts were not to exceed in the aggregate \$20,000.
6. Hutchinson agreed to convey to Harlow-McGaw all land and interests held by himself or his associates in Peach Bottom, Drumore and Fulton Townships, upon reimbursement of the cost thereof with interest, but not to exceed \$8,000.
7. Harlow-McGaw agreed not to interfere with Hutchinson's development between Shenk's Ferry and a point a mile below the proposed dam.
8. Hutchinson agreed to withdraw his interference at all other places on the river.

(See Exhibit No. 2)

Attempt to Finance Harlow-McGaw
Development

The April 14th Agreement broke the previously existing deadlock which had prevented either Harlow-McGaw or Hutchinson from going ahead with their proposed developments. An attempt was then made to finance a company that would acquire Harlow-McGaw's interests on the Susquehanna for immediate development of a hydroelectric plant and also the Welch properties for a future plant. Due apparently to general financial conditions, the necessary funds were not raised.

Inactivity during 1904

While the Hutchinson group made some effort to perfect their organization, there seems to have been no serious attempt at this time to secure financing for the development at McCall Ferry. By mutual consent, the provisions of the April 14, 1903 agreement were not carried out within the six months' period but the time limit was extended to May 15, 1905. (See Exhibit No. 2) Neither group seems to have made any further attempt to secure financing until the end of 1904.

V - DIMOCK-BERTRON-BARNEY UNDERWRITING FOR
McCALL FERRY DEVELOPMENT

Parsons' Report on McCall Ferry Development

Following the purchase by Hutchinson of Morison's interest in their partnership arrangements for investigating and developing the Susquehanna, Hutchinson retained Morison as consulting engineer until the latter's death in July 1903. Subsequently, Hutchinson engaged William Barclay Parsons as consulting engineer. Parsons submitted a report, dated January 13, 1905, on the proposed development at McCall Ferry. His recommendation for the McCall dam was elevation 155 and his estimate of cost for the dam, power house, hydraulic and electrical equipment, substations and three transmission lines to Philadelphia was \$4,041,000. Everything seems to have been included in this figure except land, water rights, promoters' fees and certain overhead costs. The plant could deliver 37,500 kw. in Philadelphia during an average year on all but thirty days and during a dry year on all but one hundred days. An additional investment of not more than \$1,000,000. in steam auxiliary would have been required to have enabled the plant to deliver 37,500 kw. at all times in Philadelphia. (See Exhibit No. 3)

Early Preparation for Underwriting

The submission of Parsons' engineering report to Hutchinson instituted a new stage of activity for the McCall enterprise, as early in February 1905 Hutchinson began seeking legal advice on the organization of corporations in Pennsylvania and the preparation of an underwriting agreement. The counsel who rendered the opinions in these matters was John G. Johnson of Philadelphia. This was followed immediately by getting William F. Beyer, a Lancaster attorney, who had been one of the

York Furnace partners, and who had also been agent for Hutchinson in some of his property negotiations up to this time, to look into the requirements for organizing a company with the requisite charter powers for the purpose desired. During this time, a preliminary form of underwriting agreement had been prepared, for on February 15th it was sent to Hutchinson for approval.

Beyer immediately undertook the formation of a company with the requisite charter powers. The state law, in effect at that time, permitted a company incorporated for the supply of light, heat and power by electricity to supply the same only in the borough, town, city or district in which it might be located. It was this circumstance that was the basis of Johnson's suggestion to form electric power companies in each township lying between the location of the plant on the river and the proposed point of delivery, these companies to be later consolidated into one company. Extensive correspondence and many conferences transpired before the legal complications were smoothed out satisfactorily. Proposed changes in laws were among the many suggestions brought forward by the organizers in an effort to solve the knotty problems confronting them.

Hutchinson Plan for Financing,
February 1905

Lorenzo Semple of Coudert Brothers was Hutchinson's personal attorney and had advised him throughout his activities on the Susquehanna. On February 8, 1905, Semple wrote to Johnson asking his opinion on their proposed plan. A summary of the situation was given which, in effect, stated that

Cary T. Hutchinson was the owner of lands on each side of the Susquehanna River in York and Lancaster Counties at McCall's Ferry. He either owned in fee or had releases from damages from the owners in fee of all property above and below McCall's Ferry along the River on each side, which would be affected by the erection of a dam across the River at that point to an elevation

of 160 above tidewater. Harlow-McGaw owned the bed of the old Susquehanna Canal and had also organized water power companies on each side of the River and projected a line of railroad upon one side of the River. All of these properties would have been affected by the proposed development of Cary T. Hutchinson; therefore, an agreement was made with Harlow-McGaw by which all opposition upon their part, by reason of the ownership of the above, was to be removed.

A tentative plan of organization was presented to Johnson and approved by him but differed in many respects from the plan finally adopted.

(See Exhibit No. 4)

Formation of Syndicate

Soon after Hutchinson had started his acquisition of land and water power rights, he had received financial assistance from and through his father-in-law, Henry F. Dimock. In the latter part of February 1905, Hutchinson and Dimock submitted their proposition to S. Reading Bertron, of Bertron, Storrs and Griscom, whereby Hutchinson was to receive not less than one-half of the common stock of the proposed company and \$750,000. in cash. This was for his efforts, and monies invested, and as a means of enabling him to pay off his obligations and for expenses, legal fees, etc., incurred to that date. (See Exhibit No. 1) Pursuant to this understanding, Bertron formed a syndicate to underwrite the finances required. The syndicate managers were Dimock, Bertron and Charles T. Barney, President of Knickerbocker Trust Company of New York.

Dimock-Bertron-Barney Prospectus

A combined Prospectus and Underwriting Agreement was prepared, dated March 1, 1905. The Prospectus presented a general description of the proposed work, gave its approximate location and referred to engineering studies which had been made up to that time. The proposed first development was for 50,000 horsepower, but it was further stated that 75,000 and even 100,000 horsepower was ultimately possible. The proposed markets for power were given and the estimated cost of construction was stated as shown in the following schedule:

Estimate of W. B. Parsons for dam, power house, all hydraulic and electric equipment, including 3 transmission lines to Philadelphia, with substation	\$ 4,041,000.
Cash for property and rights of way, in addition to stock to be issued by the company	1,000,000.
Interest during construction	<u>450,000.</u>
Total Cost, without steam plant	\$ 5,491,000.
Auxiliary steam plant, maximum capacity of 30,000 hp.	<u>1,200,000.</u>
	\$ 6,691,000.
Working Capital	<u>509,000.</u>
Total Estimated Cost of Construction	<u>\$ 7,200,000.</u>

The basis for earnings was next set forth as shown here-with:

<u>Receipts</u>	
25,000 horsepower at \$25.	\$ 625,000.
25,000 horsepower at \$30.	<u>750,000.</u>
Total	\$ 1,375,000.
Total operating expense (Estimated at a greater cost for a plant of 50,000 hp. than the cost at Niagara for a plant of 100,000 hp.)	<u>320,000.</u>
Net earnings from operation	* 1,055,000.
Special reserve fund to provide against extraordinary contingencies, failure to sell full output during first five years of operation, etc., and to provide sinking fund for bonds after first five years	<u>175,000.</u>
Balance	\$ 880,000.
<u>Fixed Charges</u>	
5% on \$8,000,000. bonds	\$ <u>400,000.</u>
Net Income	\$ 480,000.
Dividend, 5% on \$4,000,000. preferred stock	<u>200,000.</u>
Surplus applicable to common stock	<u>\$ 280,000.</u>
Equal to 7.0 per cent on \$4,000,000. common stock	

The capacity of the plant was stated as being capable of being increased to 75,000 hp. for a comparatively small additional cost. This increase in capacity would cause but a slight increase in operating expenses and fixed charges while, at the same time, it would greatly increase earnings. It was estimated that this would increase the surplus available for common stock to \$580,000.

The financial plan called for an issue of \$10,000,000. of bonds of which \$8,000,000. were to be underwritten at 90 per cent and the balance held in the treasury for future needs. The proceeds of the underwriting were to be used to construct the first 50,000 hp. development. The company was to have an authorized capitalization of \$10,000,000. stock, one-half of which was to be five per cent cumulative preferred, and the other half, common. \$4,000,000. of each class of stock was to be issued, making a total capitalization as follows:

Five per cent Sinking Fund Bonds	\$ 8,000,000.
Cumulative five per cent Preferred Stock	4,000,000.
Common Stock	<u>4,000,000.</u>
Total	<u>\$16,000,000.</u>

(See Exhibit No. 5)

Dimock-Bertron-Barney Underwriting Agreement

Although the Underwriting Agreement was dated March 1, 1905, there is some correspondence available which indicates that it was not completed in final form until after March 9, 1905.

The underwriting agreement provided that Henry F. Dimock, S. R. Bertrond and Charles T. Barney were to be the "Managers," with Knickerbocker Trust Company as the proposed "Trust Company," and Susquehanna Securities Company (to be incorporated later) as the proposed "Securities Company."

It was intended to secure underwritings for \$3,000,000. of First Mortgage Bonds at ninety per cent of par of a corporation to be organized and to be called McCall's Ferry Power Company, and to arrange whereby the Trust Company would advance on the bonds so underwritten seventy-five per cent of par.

1. Subscribers were to receive a bonus of 50% in preferred stock.
2. Payments were to be 10% of par at date of allotment, 5% of par on March 1, 1906, and balance on maturity of loan provided in agreement.
3. Trust Company was to loan to Securities Company, as required, amounts not to exceed in total the unpaid balances on the subscriptions at the rate of 6% per annum with a commission of 1% on the two year loan. Each subscriber was to guarantee to the Trust Company his balance of unpaid subscription.
4. Managers reserved the right to sell the bonds subscribed for at not less than 90% of par with a bonus of preferred stock of not more than 15% of par and such sales would reduce subscribers' amounts pro rata.
5. Managers were to have control of funds paid in by subscribers for the construction of the Power Company plant.
6. Managers might, in their discretion, provide for a Voting Trust to cover the stock of the company which would also include the stock issued under the Underwriting Agreement.
7. Subscriptions to \$6,000,000. of bonds were needed before agreement would become effective.

(See Exhibit No. 5)

This underwriting was never completed and the Underwriting Agreement for the McCall project, as finally adopted, had different Managers as well as differing in some of its other provisions.

Susquehanna Securities Company

As mentioned in the Underwriting Agreement, the Susquehanna Securities Company was to be the organization through which the Managers would carry out their plans to develop the McCall project. A form of charter was drafted of which the following are the major points of

interest in summary:

1. Purpose - To aid in the formation, promotion and organization of other corporations and in marketing, guaranteeing or disposing of securities. To purchase and deal in securities of other corporations. To carry on the business of contracting and construction in all of its branches. To build, construct, etc., plant and development for the utilization and distribution of water power and generation and transmission of electricity and electric power, but not to operate the same. To deal in real and personal property.
2. Capital Stock - 15 shares of \$100. par value each.
3. Directors - Cary T. Hutchinson, Benjamin Barker and Howard Thayer Kingsbury.
4. Subscribers to Stock -

Cary T. Hutchinson	13 shares
Benjamin Barker	1 share
Howard T. Kingsbury	1 share
Total	15 shares
5. Directors shall have power without assent of stockholders to make By-Laws.
6. With the consent in writing of the holders of a majority in interest of the stock issued and outstanding, the Board of Directors shall have power and authority to sell, assign, transfer or otherwise dispose of all the property, rights, and franchises of the corporation.

(See Exhibit No. 6)

Lee, Higginson & Company Solicit Subscriptions
for Dimock-Bertron-Barney Underwriting

Under date of March 10, 1905, Gardiner M. Lane of Lee, Higginson & Company addressed a letter to Robert Fleming of London, England, which contained the following points:

1. C. A. Coffin, President of General Electric Company, had brought the proposed development to the attention of Lee, Higginson & Company some time prior to the date of the letter.
2. Lee, Higginson & Company had given considerable time and attention to studying the proposed development and thought well of it, although a study of a water power project at a lower point on the river ten years previous had been considered by them as not worth taking up at that time.

3. Lee, Higginson & Company believed that there was no question whatever of there being a sufficient demand for the McCall power within a satisfactory distance at a profitable price.
4. The figures of the estimates were considered most conservative by Coffin and others. Coffin had given a good deal of attention to the figures.
5. Five per cent cumulative preferred stock in the amount of \$4,000,000. was to go with the \$8,000,000. of bonds to be underwritten and was to be profit to the Underwriters. The Syndicate Managers believed that they would be able to sell the bonds at the proper time without giving any of the preferred stock.
6. In addition to the issue of preferred stock, there would be an issue of common stock, all of which would be used in acquiring the rights from the promoters, who had been out a large sum of money for several years.

(See Exhibit No. 7)

Failure of Dimock-Bertron-Barney Underwriting

While Semple and Beyer were busy with the legal matters, important changes were taking place in the financial interests backing the enterprise. Bertron soon concluded that the proposition was more than his firm could complete. He thereupon suggested that the matter be placed before Harvey Fisk & Sons of New York City and that that firm be asked to head a new syndicate. (See Exhibits Nos. 1 and 8) This change probably occurred between March 10th and 25th, 1905.

Apparently about one half of the necessary subscriptions had been obtained under the Dimock-Bertron Barney underwriting plan. Of these subscriptions, approximately \$2,500,000. were secured by Lee, Higginson & Company, the remainder being evidently obtained by Coffin and Bertron, Storrs & Griscom. If the financing could not be completed, the Hutchinson interests were confronted with the prospects of an indefinite delay in securing release of funds expended on the enterprise during the previous four years, as well as the possibility of the interests on

the lower river securing sufficient financing to construct their plant and gaining the desirable markets for power. They chose the course of securing immediate financing even though it entailed relinquishing control of the enterprise.

(See Exhibits Nos. 1 and 8)

VI - HARVEY FISK & SONS' UNDERWRITING FOR
McCALL FERRY DEVELOPMENTHarvey Fisk & Sons Obtain Control
from Hutchinson

Harvey Fisk & Sons agreed to undertake the formation of the new syndicate and save the underwriting, but insisted as consideration for their efforts that a majority of the common stock of the proposed development corporation be issued to them or their nominees. Of the 50,000 shares of common stock to be issued under the Harvey Fisk & Sons' plan which is detailed hereinafter, the bankers were to receive 30,000 shares. Practically all of the remaining shares plus \$750,000. in cash were to be given to Hutchinson to be utilized for the same purpose as under the Bertron plan. Hutchinson considered this to be a rather exorbitant demand, but because of the impending failure of Bertron's attempt to finance the project and, particularly, in view of the large amounts which he had already invested in the enterprise and the demands made upon him by those to whom he was indebted, it was finally agreed to accept the proposition as submitted by Fisk.

The Fisk firm took over and headed the financing and dominated the entire picture from the date they first decided to participate, and thereafter dictated the policies and all important decisions. They undertook to act in two capacities in the matter. As bankers, they underwrote the issue and arranged for the sale of approximately \$8,000,000. of bonds. In addition to this, they undertook to manage the project while it was being built.

In Pliny Fisk's opinion, the value of the banking services of the Fisk firm was at least \$250,000. This estimate was based upon Harvey

Fisk & Sons acting as syndicate managers and actually selling approximately one-half of the \$8,000,000. bond issue. It was Fisk's opinion that the management services performed by his firm were of a value of not less than \$150,000. The primary responsibility for supervising the construction of the project, the selection of personnel and the selection of experts, engineers and contractors was imposed upon Harvey Fisk & Sons. (See Exhibits Nos. 1 and 9)

Harvey Fisk & Sons Underwriting Agreement

The essential points of Harvey Fisk & Sons Underwriting Agreement dated March 25, 1905, were as follows:

1. The agreement was between the Subscribers severally and Harvey Fisk & Sons, Bankers, and the proceeds were to be used for the purpose of developing a power plant of 50,000 hp. capacity on the Susquehanna River near McCall's Ferry, Pennsylvania. The name of the company in this agreement was Susquehanna Power Company. (This name was finally changed to McCall Ferry Power Company on March 29th because of the possibility of confusion of the former name with a company of the same name organized in Maryland.)

2. Capitalization was as follows:

Common Stock	\$ 5,000,000.
5% Cumulative Preferred Stock	5,000,000.
Thirty Year 5% First Mortgage Gold Bonds (with a sinking fund provision of \$160,000. per annum)	<u>10,000,000</u>
Total	<u>\$ 20,000,000.</u>

3. All of the bonds and stock, except \$2,000,000. of bonds and \$1,000,000. of preferred stock were to be issued for acquiring property and rights, for providing for the construction of the dam and other works, for the needed transmission and distribution system, for all profits in connection with the bringing together and turning in of the said properties, for financial assistance except as otherwise stated in the agreement, and for organization, corporate, legal and other proper expenses in connection with the acquisition of lands and interests and said construction.
4. Bankers agreed to take subscription contracts and secure loans thereon.

5. Price was \$900. for \$1,000. of bonds with \$450. in par of preferred stock. Installments were not to exceed 20%; the first was due five days after allotment, and the others upon call of Bankers on twenty days' notice. Subscribers were to be credited with interest at 5% upon all installments.
6. Subscribers had option of deferring for three years all installments after the first, upon guaranteeing interest and commission on the loan to be secured by the Bankers, to the extent of the amount deferred.
7. All interest and commissions were to be paid as part of the cost of producing plant and equipment.
8. Bankers were to secure loans upon pledge of deferred Subscribers' purchase agreements, together with stocks and bonds to be purchased thereby up to the aggregate amount of the deferred payments. Cost of loans was not to exceed 6% interest on amounts actually loaned plus commission of one-half of 1% per annum on the amounts agreed to be loaned.
9. Bankers had option to repurchase from Subscribers all or any part of said bonds at 90% of par on 30 days' notice.

(See Exhibit No. 10)

Under the provisions of this proposed plan, the cash which could be raised was \$7,200,000. The total cost of constructing the proposed works, as estimated by Wm. Barclay Parsons, was \$5,041,000., which included a steam auxiliary plant but apparently omitted the cost of land, water power rights, interest during construction, other overhead items and promoters' fees. The estimate prepared by Parsons was supplemented in the preliminary Underwriting Agreement dated March 1, 1905, with other items to total \$7,200,000., the amount to be raised by this issue and was generally considered to be quite conservative.

Changes Resulting from Fisk Control

The law firm of Simpson, Thacher and Bartlett, which was retained by Harvey Fisk & Sons for the McCall deal, replaced Coudert Brothers and took control of all legal matters relating to organization and property. However, John G. Johnson continued to advise on matters

of major importance. Harvey Fisk & Sons became Syndicate Managers in joint account with Bartron, Storrs & Griscom and the latter took part in some of the important negotiations. William M. Barnum represented the Fisk firm in the management of the McCall Ferry project. Charles A. Coffin became prominent in the affairs of the company which was soon formed for the development. Lee, Higginson & Company took a large portion of the new underwriting and through Gardiner M. Lane became actively interested in the company. Although Hutchinson and Dimock had lost control of the enterprise, they continued to be connected with the development.

Dimock-Bertron-Barney Subscribers Participate
in Harvey Fisk & Sons' Underwriting

Lee, Higginson & Company had obtained approximately two and a half million dollars of subscriptions under the Dimock-Bertron-Barney Syndicate Agreement. Approximately an additional million and a half had been obtained by that syndicate elsewhere. Harvey Fisk & Sons were desirous of retaining the subscriptions already obtained under the March 1st agreement. Accordingly, they agreed to provide these with the 50% bonus of preferred stock instead of the 45% stated in the Fisk Underwriting Agreement and thus continued in force these earlier subscriptions. (See Exhibits Nos. 8 and 11)

Stock Distributed to Bankers

The issue of common stock under the March 25th plan was increased to 50,000 shares, of which the Bankers were to receive 30,000 and the Hutchinson interests 20,000. The Bankers' shares were divided as follows:

Harvey Fisk & Sons	17,537½ shares
Bertron, Storrs & Griscom	7,462½ shares
Lee, Higginson & Company	<u>5,000</u> shares
Total	<u>30,000</u> shares

The only preferred stock issued for services was 1,875 shares to Harvey Fisk & Sons. This preferred stock and the 17,537 $\frac{1}{2}$ shares of common issued to the Fisk firm were compensation for both banking and management services, whereas the stock going to Bertron, Storrs & Griscom and Lee, Higginson & Company was for banking services only.

VII - HARVEY FISK & SONS ACQUIRE CONTROL OF
LOWER SUSQUEHANNAPullen Negotiations with Harlow-McGaw

It seems that some time prior to February 22, 1905, Charles

D. Pullen became interested in promoting the hydroelectric development of the Susquehanna River, for on that date Harlow-McGaw communicated to Pullen the terms under which they would agree to Pullen's plan of promotion. These terms provided among other things for Pullen's obtaining options on Hutchinson's project at McCall Ferry and the Welch or Susquehanna Power Company development at Shuresville. These negotiations by Pullen culminated in an agreement with Harlow-McGaw, executed on February 28, 1905, the chief provisions of which were as follows:

1. Provided Pullen was successful in his efforts to consolidate all properties and rights under one united ownership by July 1, 1905, Harlow-McGaw would sell all their properties along the Susquehanna River for \$500,000. cash and \$1,000,000. par value in stock of the controlled corporation. Property and rights which were to be transferred by Harlow-McGaw included the following:
 - (a) All outstanding stock of Susquehanna Canal and Power Company.
 - (b) All property and rights of old Tidewater Canal Company.
 - (c) All outstanding stock of Proprietors of Susquehanna Canal.
 - (d) 400 shares of stock of Conowingo Land Company.
 - (e) All lands, islands, rights, etc., controlled by Harlow-McGaw.
 - (f) Cooperation of Conowingo Bridge Company was to be secured by Harlow-McGaw.
 - (g) Harlow-McGaw were to prepare plans showing any other lands needed.
2. Pullen was to continue his efforts to effect united ownership.
3. Provision for extension past July 1, 1905, if material progress had been made.

(See Exhibit No. 12)

Pullen Negotiations with Welch Group

On March 21, 1905, Pullen executed an agreement with the stockholders of the Susquehanna Power Company, or Welch interests, in which he secured an option on their rights along the River. A summary of the major provisions of this option is set forth:

1. Pullen represented to Welch, et al, that he had arranged to acquire the following properties:
 - (a) Property known as the McCall's Ferry Development; owned and controlled by Cary T. Hutchinson and others.
 - (b) All the property owned and controlled by Geo. K. McGaw, James H. Harlow, George R. Harlow, M. H. Houseman, Conowingo Land Company, Susquehanna Canal Company, Tidewater Canal Company, and Old Maryland Canal Company, both in Maryland and Pennsylvania.
 - (c) All the property owned and controlled by Susquehanna Power Company or Welch, et al.
2. Welch, et al, to sell all their stock in Susquehanna Power Company, totaling 3,612 shares, to Pullen at its par value, payable July 1, 1905, amounting to \$361,200.
3. Provision was made for renewals of the option, if substantial progress had been made by July 1, 1905.
4. Stock of Welch, et al, was to be placed with Joel H. De Victor to be held in trust by him, and all payments of money for said stock were to be likewise made to De Victor in trust and were to be applied by him, first, in liquidation of certain outstanding obligations of Susquehanna Power Company, with the balance going to Welch, et al.
5. Welch, et al, to lend Pullen all maps and briefs of title.
6. Sale of stock by Welch, et al, conditioned upon Pullen's first purchasing the properties and rights of Harlow-McGaw.
7. If settlement was not made, the Trustee was to return the stock to Welch, et al.
8. Each depositor of stock with the Trustee was to be charged a pro rata portion of the obligations of Susquehanna Power Company.

(See Exhibit No. 12)

New Option on Harlow-McGaw Properties

The first option, obtained from Harlow-McGaw, was contingent on Pullen's ability to obtain control of the Hutchinson-Dimock and Susquehanna Power Company properties. The second one, obtained from Welch, et al, was contingent only on his ability to acquire the Harlow-McGaw holdings. In the third option, which he secured from Harlow-McGaw, the condition of obtaining control of the Hutchinson-Dimock properties was omitted. A memorandum, dated April 4th, relating to this new option contains the following language:

"The understanding which we have of the movements of the Hutchinson development indicates that if no time is lost that we are in a good position to carry out our own development on the Peach Bottom, and in the raising of any funds for this purpose the Welch proposition will be easily taken care of."

(See Exhibit No. 13)

This agreement of April 5th between Pullen and Harlow-McGaw provided as follows:

1. The transfer of all the lands and rights mentioned in the first agreement (February 28, 1905) to the Susquehanna Canal and Power Company by Harlow, McGaw and Houseman.
2. Harlow, McGaw and Houseman were to receive 10,000 shares (\$500,000. par value) of Canal and Power stock for these properties, etc.
3. Pullen was to exercise the second option (March 21, 1905) to obtain Susquehanna Power Company stock and then transfer it to the Susquehanna Canal and Power Company.
4. Pullen was to receive 10,000 shares (\$500,000. par value) of Canal and Power stock in full payment therefor.
5. Susquehanna Canal and Power Company capital stock was to be increased to 30,000 shares (\$1,500,000.).
6. This stock was to be issued and placed in trust until lands and rights were transferred to the Canal and Power Company.

(See Exhibit No. 12)

This new agreement in effect cancelled the first agreement, for it excluded the Hutchinson holdings. It provided for the transfer of the Harlow-McGaw holdings to a corporation (Susquehanna Canal and Power) designated by Pullen and thus paved the way to exercise his second option to obtain the Susquehanna Power Company stock for the Canal and Power Company. This placed Pullen in potential control of all river holdings except that of the McCall area.

Harlow-McGaw Propose Consolidation
with McCall Company

Although Pullen had by this time given up the idea of including the McCall development in his plans, Houseman of the Harlow-McGaw group made a further attempt to bring the entire River area under one management by suggesting a plan to Harvey Fisk & Sons on April 18, 1905, for consolidating all interests. He gave a general description of the plans of the Susquehanna Canal and Power Company (the company to be used in the Pullen and Harlow-McGaw agreement of April 5th) covering its proposed canal from tidewater to Wrightsville-Columbia with a large storage pool, docks and wharves at Columbia where connections with the Pennsylvania Railroad and Reading Railroad were to be made. He then referred to the general development of the 200 feet of fall in the river for hydroelectric purposes and mentioned the Harlow plan for five developments on this section of the river. He mentioned the power markets that his associates were negotiating with and other potential markets. He finished his letter, suggesting the consolidation of interests in the following language:

"I am writing this letter somewhat in detail to your house, for the reason that your present interests on the river are apparently in conflict with our plans, which were being worked out on the river long before Dr. Hutchinson had acquired any property rights there. We feel sure that the merits of the enterprise are worthy of very careful consideration and investigation

by your house, with a view to harmonizing and adjusting the conflicting plans for the development of the entire water power of the River.

"The writer, therefore, respectfully asks that someone connected with your house read over carefully these papers, and as he expects to be in New York the latter part of this week will take the liberty of calling upon you, and if by that time you have determined that this matter is not of sufficient interest to warrant a conference he would be pleased to have you return the papers to him. Otherwise, if you desire to join with him and his clients in an effort to adjust this unnecessary complication, he desires to offer his services to that end."

(See Exhibit No. 14)

Harvey Fisk & Sons Purchase
Harlow-McGaw Interests

The letter written by Houseman to Harvey Fisk & Sons indicated that the Harlow-McGaw interests were deeply concerned about the progress of the McCall development. It was generally considered that only one development would be economically possible along the river at the time and there was no question whatever but that the first development on the river would gain a great advantage. It will be recalled that the agreement of April 14, 1903, had been extended to May 15, 1905. It appears that after the original signing, the Harlow-McGaw interests were not anxious to put this plan into effect. The McCall group, however, did not desire to pool their project with anyone else, and were insisting on carrying out that agreement.

On April 27, 1905, Harlow-McGaw disposed of all their properties, rights and other assets composing their interest on the Susquehanna to Harvey Fisk & Sons. This was done through the medium of two separate agreements. The first was between Harvey Fisk & Sons and Harlow-McGaw and was made subject to Pullen's prior options from Harlow-McGaw and, therefore, could be carried out only if Harvey Fisk & Sons purchased Pullen's options or waited for them to expire.

Terms of Harlow-McGaw Sale

Under the terms of this agreement, Harlow-McGaw agreed to sell to Harvey Fisk & Sons, subject to the Pullen option:

1. All lands, easements and water rights along the river owned or controlled by Harlow-McGaw.
2. C. R. McConkey's interest in contracts for purchase of the Burkin's tract and the John Bair Estate.
3. All the rights and property of the old Tidewater Canal Company.
4. All the outstanding stocks of:
 - (a) Proprietors of the Susquehanna Canal
 - (b) Susquehanna Canal and Power Company
 - (c) Susquehanna Falls Power Company
 - (d) Susquehanna River Power Company
 - (e) Susquehanna Storage Lake & Power Company
5. Two-thirds of the issued capital stock of the Conowingo Land Company.
6. An agreement executed by the Susquehanna Canal and Power Company, with the consent of every stockholder, whereby that company would consent to the construction and operation of one or more dams and water power plants at any point or points on the Susquehanna and the resultant flooding of the canal, without any compensation to the Canal and Power Company.
7. A similar agreement executed by the Tidewater and Susquehanna River Railroad regarding its proposed right of way.
8. An option to purchase at \$20. per share all capital stock of the Conowingo Bridge Company, owned or controlled by Harlow-McGaw.
9. All property to be unencumbered and all stocks to be accompanied by resignations of all directors.

In return Harvey Fisk & Sons agreed to pay Harlow-McGaw:

1. \$200,000. in cash.
2. \$250,000. par value of McCall Ferry Power Company Bonds.
3. \$100,000. par value of McCall Ferry Power Common Stock.

(See Exhibit No. 15)

Delivery of the deeds and stocks and payment therefor were to be made June 1, 1905, at the office of Simpson, Thacher and Bartlett.

The stocks of five other river companies controlled by Harlow-McGaw were not included in this Harvey Fisk agreement. However, by the second agreement of April 27th, McGaw was to sell to Bertron all the stock owned or controlled by the former or his associates in the following:

1. All the outstanding stock of Susquehanna Construction Company of Baltimore City.
2. All the outstanding stock of Sowego Water and Power Company except that owned by Susquehanna Electric Power Company.
3. All the outstanding stock of Lower Chanceford Water and Power Company.
4. An unstated number of shares of Susquehanna Electric Power Company.
5. An unstated number of shares of the Martic Water & Power Company.

(See Exhibit No. 15)

Delivery was to be made at Simpson, Thacher and Bartlett's offices on June 1, 1905.

A letter from P. G. Bartlett to McGaw, Harlow and Houseman, dated May 1, 1905, sets forth what was purported to be an oral agreement made at the time of execution of the Harvey Fisk purchase of the Harlow-McGaw properties. It states: "Said contract was so delivered upon the express understanding that a certain other contract of the same date, made by George K. McGaw - and S. R. Bertron - was a part of the same transaction and that the obligation of said Harvey Fisk & Sons under said first mentioned contract are conditioned upon the performance of both the aforesaid contracts." It further recited that the two contracts were intended to include a complete transfer of all Harlow-McGaw interests and rights along the river. (See Exhibit No. 15) There was a mortgage of \$25,000. on the property of the Conowingo Land Company not owned by Harlow-McGaw which was obtained from R. F. Emory on November 2, 1906.

Pullen Rights Purchased

In order to remove the possibility of Pullen's exercising his options, they were purchased from him by Harvey Fisk & Sons through Bertron, Storrs & Griscom on April 29, 1905. The consideration was \$10,000. cash and 150 shares of McCall Ferry Power Company common stock. (See Exhibit No. 12) On May 15th, Harvey Fisk & Sons reimbursed Bertron,

Storrs & Griscom for their \$10,000. advance with \$22.22 interest, charging the total amount against funds received from the bond subscribers.

With the acquisition of the Harlow-McGaw property and the Pullen option, the possibility of enforcing the agreement of April 14, 1903, had been eliminated.

VIII - COMPLETION OF ORGANIZATION

Incorporation of McCall Ferry Power Company

An Agreement of Merger and Consolidation between The Hillside Water and Power Company and Susquehanna Water and Power Company to form the McCall Ferry Power Company (sometimes hereinafter referred to as McCall Company) was executed under the date of April 1, 1905. The same group of persons which had formed the consolidating companies comprised the incorporators of the McCall Company. The purpose of the McCall Company was that of the two predecessor companies combined, namely:

"for the purpose of the storage and transportation of water and water power for commercial and manufacturing purposes, in the Townships of Lower Chanceford, York County and Martic, Lancaster County, Pennsylvania, and the supply of the same to the public and such persons, partnerships and corporations residing therein as may desire the same; and in order that the water and water power may be supplied to the public to the best advantage, in furtherance of its corporate purposes, the development by the use of the same of electric current, and power to the public, individuals, firms and corporations, at any place or places at such prices as may be agreed upon."

The capital stock of the McCall Company was to consist of ten shares of \$100. par value each. The stock of the merging companies was to be exchanged on a share for share basis for stock in the new or McCall Company.

Directors and Stockholders

W. F. Beyer	2 Shares
Geo. B. Willson	2 "
Jacob Hill Byrne	2 "
W. Frank Jack	2 "
Walter M. Franklin	2 "

Officers

President	- W. F. Beyer
Secretary and Treasurer	- Geo. B. Willson

Although this Agreement of Merger and Consolidation was dated April 1, 1905, it was not filed by Beyer until April 6th and was recorded in the office of the Secretary of the Commonwealth on April 11th. Letters Patent were issued on April 14th.

On May 22, 1905, the first meeting of the stockholders of the McCall Company was held. The only business of this meeting consisted of the election of Directors and a Secretary-Treasurer. On the same date the Directors held their first meeting. They elected Wm. F. Beyer, President, established an office at 33 N. Duke Street, Lancaster, Pennsylvania, and set dates for regular Board Meetings.

Eminent Domain - Act of April 13, 1905

On April 13, 1905, a new Pennsylvania law was passed dealing with the subject of eminent domain and provided:

"That no water company hereafter incorporated under any law, shall have power or exercise the right of eminent domain as respects the appropriation of the streams, rivers or waters of this Commonwealth or any of them, nor the land covered thereby."

When in December of 1905 the McCall Company seriously began to consider condemnation of the Robert F. Fry tract because of high price, this law became highly important.

The way in which it became important was by reason of the date of the law. The questions arose as to what was the extent of the law and what effect the law would have on McCall Company by reason of its date of passage. Johnson was of the opinion that water companies no longer held rights of eminent domain after the passage of the Act. On the point of whether the law would say that the McCall Company was formed on April 1st by reason of being a merger or on April 14th, date of Letters Patent, it appears that there was serious doubt about the question, but